ROUTING AND TRANSMITTAL SLIP

Date 2/12/86

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. Ann		
2.		
3.		
4.		
5.		

	Action		File		Note and Return
	Approval		For Clearance		Per Conversation
	As Requested		For Correction		Prepare Reply
	Circulate		For Your Information		See Me
	Comment		Investigate		Signature
	Coordination		Justify		

REMARKS

Please start a file on FY 87 "Budget Cuts — Retirement."

STAT

DO NOT use this form as a **RECORD** of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
	Phone No.

5041-102

OPTIONAL FORM 41 (Rev. 7-76)
Prescribed by GSA
FPMR (41 CFR) 101-11.206

* U.S.G.P.O.: 1983-421-529/320

THE FEDERAL DIARY

Budget Would Hit Hard

By Mike Causey
Washington Post Staff Writer

The typical federal worker would get a raise of about $1 a day next year, be required to work an extra seven years before retirement and probably pay less for health insurance if Congress approves the budget President Reagan sent over Wednesday.

All of the proposed changes in the civil service system are identical to those proposed, and rejected by Congress, in earlier budgets. But with the automatic features of the Gramm-Rudman-Hollings deficit reduction act in place, some of the proposals may get more serious consideration.

Under the budget that the president has proposed for the fiscal year beginning in October, federal retirees would go another year, until January 1988, without a raise. Future increases would be pegged below the actual rise in living costs.

Here's a rundown of the changes proposed by the president:

- Job cuts: The Veterans Administration would lose 8,900 jobs, reducing it to 212,066 positions; Agriculture, down by 10,250 jobs to 98,500 employes, and Health and Human Services, down 4,847 (mostly in the Social Security Administration) to 123,636 positions.

Also: Transportation, down 1,957 jobs to 58,981; General Services Administration, down 2,771 to 22,635; Interior, down 1,710 to 70,305 jobs, and the Small Business Administration, slashed from 4,177 employes to 700.

Smaller cuts would be imposed on the departments of Commerce, Education, Housing and Urban Development, Energy, Education and Labor, as well as the Environmental Protection Agency, the Agency for International Development, the Nuclear Regulatory Commission and the Office of Personnel Management.

The job cuts would be partly offset by proposed increases in the work forces of the Postal Service, the departments of Defense and State and at the U.S. Information Agency.

- White-collar federal workers (who did not get a general pay raise this year) would get 3 percent next January.

The typical civil servant here earns about $31,000 a year, according to the Office of Personnel Management.

Most of that pay raise would be eaten up by a proposal to increase the 7 percent of salary that employes must contribute toward their retirement benefits to 9 percent.

- Federal workers who are under age 55 would have to work until age 62 to get unreduced pensions.

Employes who retired before age 62 would have their annuities reduced 2 percent for each year they were under age 62.

Government employes who celebrate their 55th birthdays before the change is made, assuming Congress approves the change, could continue to retire at age 55 after 30 years of service with no penalty.

- Retirement benefits, now based on the highest three years' average salary, would be calculated on the highest five years' average.
- Employes and retirees who now pay about 40 percent of their annual health premiums would get a government voucher each year with which to buy insurance. If the health plan cost less than the vouchers, they could keep the extra money.
- Retirees would not get cost-of-living-adjustments next January. Last year, as part of the Gramm-Rudman-Hollings legislation, Congress took away a 3.1 percent raise that retirees were supposed to get this year.

OPM says the average annual pension for federal retirees is about $14,000 a year.

- Future COLAs for retirees would be set 2 percent lower than the actual rise in living costs. Those benefits, when retirees get them, now are indexed to inflation.